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Housing Woes Take Their Toll On Job Growth

Last month, 94,000 positions were added. Analysts predict the Fed will cut its key rate to help stave off recession.

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WASHINGTON -- The nation's housing crisis took a bite out of hiring in November, the government said Friday, but the report suggests the economy has so far avoided outright shrinkage.

"The national economy seems to be skirting recession," said John Silvia, chief economist for banking company Wachovia Corp.

Nonetheless, the job data left intact expectations that the Federal Reserve would cut its key interest rate next week in an effort to prevent a recession.

Payrolls grew by 94,000 jobs last month, the Labor Department said, but the agency slashed by 48,000 positions its estimate of employment growth for the previous two months combined. The revised figures indicate that the economy added 44,000 jobs in September and 170,000 in October.

The unemployment rate, meanwhile, remained at 4.7% for a third month in a row.

The report depicts an economy that, though continuing to grow, is doing so with increasing difficulty. Besides high gasoline prices and a sagging home market, continuing fallout from defaults on sub-prime mortgages has repeatedly rattled financial markets and threatened to freeze personal and business lending -- a development that would probably push the economy into recession.

"What the new job numbers suggest is below-trend growth for the next several quarters," Silvia said. "That means that over the next six to nine months you're probably going to get below-average job opportunities."

With economic growth already believed to be slowing substantially from a 4.9% annual rate in the third quarter, most economists predicted the Fed would lower its benchmark rate by a quarter-point. Some analysts say the central bank, worried about the hard-to-predict effect of the mortgage and credit crisis on the overall economy, will implement a half-point reduction in the rate, which now stands at 4.5%.

Recent growth in neither employment nor the economy has been evenly distributed. States experiencing the most severe housing slump are likely to be suffering the greatest economic fallout.

"The housing market pain clearly has been concentrated in California and Florida," said Bank of America senior economist Peter E. Kretzmer.

Parts of the most affected areas "are probably already in recession," Silvia said.

The combination of high gasoline prices and falling home prices has taken its toll on consumer confidence, which many believe is an important measure of people's willingness to shop during the holiday season.

The Reuters/University of Michigan index of consumer sentiment came out Friday with a reading of 74.5, down from 76.1 last month.

Excluding a post-Hurricane Katrina plunge in 2005, the index is at its weakest in 15 years.

Much of the job growth in November was concentrated in temporary help services, which added 11,300 positions, and healthcare, which grew by 15,000.

Most of the losses were concentrated in industries connected with home building and financing. Construction payrolls dropped by 24,000, including losses of 7,000 jobs in residential building and 13,000 in residential specialty trade contracting. It was the fifth month of declining construction payrolls.

Employment in credit intermediation, which includes mortgage lending, fell by 13,000 jobs while real estate dropped by 8,000.

Some analysts predicted substantial additional layoffs because of housing market turmoil.

"We have yet to see the real shoe drop on the mortgage crisis, especially at the big banks," said Diane C. Swonk, chief economist of Chicago-based Mesirow Financial.

Many of November's new jobs came in retail trade, a sector in which employers added 24,200 positions because of the holiday shopping season, but the increase was not as strong as some had expected.

"Retail is clearly not the boom sector, which is a little suspicious," Swonk said.

In a separate sign of economic weakness, the Federal Reserve reported that loans for big-ticket items such as cars fell for a second consecutive month in October. It was the first back-to-back decline of such loans since 1992.

So-called nonrevolving credit, which includes borrowing for cars, boats and college education, fell $1.64 billion, or 1.3%, to $1.56 trillion, the Fed said. The same category of credit showed a $1.37-billion drop in September.

Overall, consumer borrowing was up in October as consumers relied on credit cards and nonmortgage loans to underwrite their spending. Total consumer credit increased $4.71 billion to $2.49 trillion. The total increased by $3.2 billion in September.

Average hourly wages rose 8 cents, or 0.5%, in November to $17.63, up 3.6% from a year earlier, according to the Labor Department. Economists had expected a somewhat smaller increase. Average weekly hours worked by production employees held steady at 33.8 for a fifth straight month.